



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
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WASHINGTON, D.C. 20350-1000

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MEMORANDUM FOR DISTRIBUTION

Subj: CONTRACT ADMINISTRATION FEES WITHIN THE DEPARTMENT OF  
DEFENSE

Ref: (a) DOD FMR Volume 11A, Chapter 1  
(b) DON FMPM 075383  
(c) DOD FMR Volume 11B, Chapter 61

There have been a number inquiries from both Department of the Navy (DON) and non-DON commands and activities concerning Department of Defense (DOD) and DON policies and procedures regarding contract administration fees for DOD components.

By reference (a), "Contract administration costs are not to be charged within a DOD Component or to another DOD Component when funding for such costs are included in the mission funding of the performing DOD entity." The assessment of fees for mission funded contract administration costs results in the performing activity augmenting its appropriations, which is not allowed.

Activities who serve as a central manager or are mission funded to procure end items shall do so without any additional charge. The exceptions to this policy are for construction and maintenance and repair projects; and, Navy Working Capital Fund (NWCf) activities. The Naval Facilities Engineering Command is authorized to assess Supervision, Inspection and Overhead (SIOH) costs (reference (b)) for construction; and, maintenance and repair projects for non-DON Operation and Maintenance funded activities. Under reference (c), NWCf activities are authorized to charge DOD and other Federal Government customers using stabilized unit prices or stabilized rates. In no case should both SIOH and stabilized rates be charged for the same effort.

My point of contact for this issue is Janet Vernon, who may be reached at 202-685-6708 or [vernon.janet@fmo.navy.mil](mailto:vernon.janet@fmo.navy.mil).

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